



The ACR also states that “strict adherence to above-CPI price increases [which is what the Commission ordered in the FY 2010 Annual Compliance Determination] also impairs the pricing flexibility the Postal Service is guaranteed under the PAEA.” *Id.*, p. 18.

- a. Is the Postal Service taking the position that the Governors’ pricing authority is not subject to the duty to comply with remedial orders of the Commission issued pursuant to 39 U.S.C. § 3662, such as the Standard Mail Flats remedial orders in the FY 2010 Annual Compliance Determination, as affirmed by the U.S. Court of Appeals for the District of Columbia Circuit? If so, please explain.
2. Please refer to the FY 2012 ACR, p. 19, Table 3, “Planned Standard Mail Flats Price Increases.”
- a. Please confirm that under the Postal Service planned schedule, unless changed, the Governors would increase Standard Mail Flats by 105 percent of CPI, *e.g.*, if the annual price cap were 2.0 percent, the Postal Service would increase Flats by 105 percent of 2.0 percent, or 2.1 percent. If not confirmed, please explain.
  - b. Did the Governors give approval to the “three-year schedule of above-CPI price increases for Standard Mail Flats” (p. 18) presented in Table 3 of the ACR, p. 19, or did the Postal Service submit this schedule pursuant to an earlier delegation of authority to postal management. *See, e.g.*, Docket No. MC2012-14/R2012-8, Notice of the U.S. Postal Service (Apr. 30, 2012), Attachment A, Governors’ Resolution.

3. The FY 2010 ACD remedial order required the Postal Service “present a schedule of future above-CPI price increases for Standard Mail Flats ... updated with each subsequent Market Dominant Price Adjustment and ACR until the revenue of the Flats product exceeds its attributable cost.” (P. 107.) The Postal Service states that it provided only three years for planned above-average increases for Standard Mail Flats “because of the Commission’s responsibility, pursuant to 39 U.S.C. § 3622(d)(3), to review the system for regulating rates and classes of market dominant products in 2016.” ACR, p. 18 n.18. For the following questions, please assume that the Commission makes no changes to the applicable regulations.
- a. Please provide planned above CPI increases for Standard Mail Flats until the revenue of the Flats product exceeds its attributable cost.
  - b. Assuming Standard Flats costs change exactly at the rate of CPI, how long does the Postal Service estimate it would take for coverage of Standard Flats will reach 100 percent under the pricing schedule provided?
  - c. Assuming Standard Flats costs change exactly at the rate of CPI, please provide the estimated impact on cost coverage for Standard Mail Flats from each of the scheduled increases.

Respectfully submitted,

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